



County of Los Angeles
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Second District

ZEV YAROSLAVSKY
Third District

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Fifth District

October 7, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

Joint Legislative Hearing on Proposition 76

On October 6, 2005, the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget Process held a joint hearing to examine Proposition 76, the California Live Within Our Means Act (CALWOMA). The legislators attending the hearing were: Senators Chesbro (Co-Chr.), Dutton, Hollingsworth, McClintock, Romero and Torlakson, and Assembly Members Laird (Co-Chr.), Evans and Keene. A report by Dan Wall, our Chief Legislative Advocate, on the proceedings of this hearing is contained in the attachment.

Status of County-Interest Legislation

County-supported AB 779 (De La Torre), which would have required the California Department of Health Services to work with counties, providers and advocates to implement an automated procedure to give Medi-Cal providers access to the due dates of the annual Medi-Cal redetermination and semi-annual status report in order to notify Medi-Cal beneficiaries of approaching due dates for these required reports, was vetoed by the Governor on October 6, 2005. In his veto message, the Governor indicated that this bill is unnecessary because it is duplicative of existing county practices.

County-supported AB 862 (Bass), which would have directed the Department of Corrections to provide information on child support modification orders to every inmate who is a parent of a minor, was vetoed by the Governor on October 6, 2005. In his veto

message, the Governor indicated that this bill is unnecessary because current law provides for local and state agencies to distribute information to incarcerated parents regarding their child support obligations.

County-sponsored AB 1285 (Montanez), which expands eligibility for participation in the Investing in Early Educators stipend program to include persons working in licensed family child care homes and child care centers that do not hold California Department of Education contracts, was signed by the Governor on October 7, 2005, and becomes effective on January 1, 2006.

County-supported AB 1380 (Gordon), which addresses the proposed overlay of the 310 area code and would have required: 1) the California Public Utilities Commission (CPUC) to request the Federal Communications Commission (FCC) to delegate authority to the CPUC to implement inventory management guidelines to ensure carrier compliance with six-month inventory rules and timing for donations and returns to the telecommunications numbering pool; and 2) the CPUC to develop rules that ensure compliance with FCC numbering resource optimization orders, was vetoed by the Governor on October 6, 2005. In his veto message, the Governor indicated that the bill requests the CPUC to develop a duplicative process because the FCC already has six-month guidelines for telephone number inventory management.

County-supported AB 1459 (Canciamilla), which increases the small claims court jurisdiction over actions brought by an individual, if the amount does not exceed \$7,500, with specified exceptions and provides that small claims court advisory services must cover specific topics relating to small claims court rules, filings, procedures related to conduct of the hearing, and information on the collection of small claims court judgments, was signed by the Governor on October 7, 2005, and becomes effective on January 1, 2006.

County-supported AB 1565 (Pavley), which would have required the California Department of Education (CDE) to select an independent contractor by May 31, 2006 to study the development, implementation and evaluation of a statewide quality rating system for child day care centers and family day care homes, was vetoed by the Governor on October 7, 2005. In his veto message, the Governor indicated that this bill may not directly address some of the shortcomings in the system and that the Legislature has already requested an audit of the Child Care Licensing Program of the California Department of Social Services that will examine the program's oversight of providers to ensure that child care programs are maintaining a safe environment for children.

County-supported SB 57 (Alarcon), which would have augmented the Emergency Medical Services Fund by allowing county board of supervisors, by resolution, to levy an additional \$2 penalty assessment on every \$10 penalty for all criminal offenses and

moving violations and require 15 percent of the funds collected to be used to fund all public and private pediatric trauma centers throughout the county, was vetoed by the Governor on October 7, 2005. In his veto message, the Governor indicated that the 2005-06 Budget contains \$10 million in General Fund for trauma centers and the level of court-ordered fines and fees have increased dramatically in recent years as many individual programs seek ways to increase their funding.

County-sponsored SB 116 (Dutton), which eliminates the Safe Surrender Law sunset provision in order to provide for the safe surrender of infants as a permanent alternative to abandonment, was signed by the Governor on October 7, 2005, and becomes effective January 1, 2006.

County-supported SB 861 (Speier), which amends State law to allow cities and counties to regulate specific breeds of dogs through mandatory spay/neuter programs and other breeding requirements, was signed by the Governor on October 7, 2005, and becomes effective on January 1, 2006.

Other Legislation of County Interest

AB 1230 (Ridley-Thomas), which would have authorized the Los Angeles County Board of Supervisors to establish an Inspector General for purposes of auditing and investigating the County's health care system, was vetoed by the Governor on October 6, 2005. In his veto message, the Governor indicated the measure was "unnecessary because the California Constitution already gives charter counties, such as Los Angeles County, control over their government structure..." and counties "can consolidate, integrate, and separate their duties and functions as they deem necessary."

DEJ:GK
MAL:DW:JF:EW:jm

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants

OCTOBER 6, 2005 JOINT LEGISLATIVE HEARING ON PROPOSITION 76

The Legislative Analyst's Office (LAO) provided opening testimony summarizing the three major impacts of CALWOMA: granting substantial new power to the Governor, providing for an additional spending cap and modifying the Proposition 98 education funding guarantee.

The LAO indicated that, under the current language of the California Constitution, the Legislature has the sole authority to appropriate funds and make reductions to enacted appropriations. CALWOMA alters this balance by granting the Governor unilateral power to reduce spending when there is a "fiscal emergency". Given that the threshold for a "fiscal emergency" is small, i.e., received revenues that are 1.5 percent below the Department of Finance estimate, and that the identification of a fiscal emergency is completely within the control of the Administration, the LAO indicated that on a practical basis this new gubernatorial power can be exercised at the Governor's discretion. Finally, the LAO indicated that this shift in power, over time, likely would mean that more of the Governor's preferences would be included in future State Budgets.

On the issue of the new, additional spending cap, the LAO testified that since FY 1979-80 the State has had a spending cap that was imposed by Proposition 4 of 1979. Further, the LAO said that the Proposition 4 limit, as amended by Proposition 111 in 1990, provides that State spending cannot grow in excess of the change in population and the change in per capita personal income, as measured from a base year of FY 1979-80. The LAO concluded their assessment of this element of the initiative by saying that over the long term it would produce a "downward ratchet on State spending" and that the reserves that are provided may be insufficient.

A fair amount of the LAO testimony was devoted to the intricacies of the Proposition 98 education funding guarantee under current law and the changes imposed by CALWOMA. The LAO's assessment of the impacts can be summarized as follows: (1) the \$3.8 billion Proposition 98 maintenance factor, i.e., monies owed the schools from bad economic times, would no longer have to be restored to the Proposition 98 base funding guarantee; instead, it would become a one-time obligation to be paid back over 15 years; (2) the "Test 3 guarantee", which creates the maintenance factor, would be eliminated; (3) future statutes suspending the guarantee would yield a permanent reduction in the guarantee and no longer create a maintenance factor which must be paid back; (4) future State spending on schools above the guarantee would no longer be added to the base guarantee; and (5) it is likely that spending on schools would decrease over time.

The LAO also mentioned that CALWOMA includes some additional provisions that prohibit loans of Transportation funds to the State General Fund (CALWOMA §§7 & 8), limit the use of Proposition 42 transportation funds and payback the outstanding loans from Proposition 42 over five years (CALWOMA §9).

Representatives from the California State Chamber of Commerce, the Business Roundtable and CalTax testified in favor of CALWOMA. The State Chamber indicated that the overall goal of CALWOMA was to “smooth out spending”, “avoid unmanageable deficits” and “create a rainy-day fund”.

The representative of the Business Roundtable added that CALWOMA was intended to continue the efforts started by the California Constitutional Revision Commission to prohibit spending in excess of revenues. Additionally, he said that CALWOMA was a reasonable, common sense mechanism to adjust a Budget, which is now greater than \$100 billion, as soon as it gets out of balance so that future problems can be avoided.

CalTax stated that they support CALWOMA because it brings stability and predictability to the State Budget, and because we need a mechanism to avoid over-obligating ourselves. He disagreed that Proposition 76 will harm schools, and opined that, in fact, it will bring stability to school funding because it eliminates Test 3, i.e., the provision that allows lower payments to schools in hard economic times and a payback of the difference in good economic times, from Proposition 98.

It is significant to note that when questioned by Chairman Laird, the proponents acknowledged that CALWOMA will not eliminate the State’s so-called “structural deficit which is currently estimated to be over \$6 billion.”

Further testimony in support was provided by a representative of the Pacific Research Institute.

Finally, detailed opposition to CALWOMA was offered by representatives of the California School Boards Association and the California State PTA. They were joined in their opposition by a representative of the League of Women Voters and the Sierra Club. A representative of the Planning and Conservation League testified that the members of the Committees should be aware that there are potential environmental impacts due to CALWOMA.